
Financial Institutions & Insurance Committee

HB 3162

Brief Description: Authorizing the creation of a state bank.

Sponsors: Representatives Hasegawa, Hudgins, Chase, Simpson, Dickerson and Goodman.

Brief Summary of Bill

- Creates a state bank overseen by the State Treasurer.
- Allows the State Treasurer to fund the bank with state funds.
- Provides the state bank with the same types of authority to operate as a private bank chartered by the state.

Hearing Date: 3/2/10

Staff: Jon Hedegard (786-7127).

Background:

There are general constitutional prohibitions on the:

- state lending of credit; and
- state investing in private firms.

There is also a constitutional limit on the amount of debt that can be incurred by the state.

The State Treasurer.

The State Treasurer (Treasurer) manages the state's funds. This includes investing the state's operating cash in short-term, interest bearing accounts. The stated purpose of the Treasurer in investing the funds is to generate returns while preserving the state's ability to access the funds. The Treasurer is also the Chairman of the Public Deposit Protection Commission, which is responsible for protecting public deposits in bank and thrift institutions.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Reports by the Treasurer.

After the close of each month, the Treasurer must prepare a report regarding the general fund and every other fund under his or her control. The report includes the amount:

- in the fund at the close of business at the end of the preceding month;
- of revenue deposited or transferred to the credit of each fund during the current month;
- of withdrawals or transfers from each fund during the current month; and
- on hand in each fund at the close of business at the end of the current month.

The Department of Financial Institutions.

The Department of Financial Institutions (DFI) regulates state-chartered banks. This includes overseeing solvency issues.

Public Records.

The DFI examination reports regarding information obtained from several types of financial institutions and regulated persons are confidential and privileged information. This includes examination reports concerning:

- banks;
- savings banks;
- savings and loan associations;
- credit unions; and
- securities brokers and investment advisers.

Financial and commercial information and records supplied by businesses or individuals during application for loans or program services by financial institutions and local agencies are not subject to public disclosure.

Summary of Bill:

The state bank of Washington (Bank) is created. The Treasurer may deposit state moneys in the bank. The Bank may make loans subject to the limitations in this chapter and any rules adopted by the Treasurer. The Bank has the ability to charge the same terms for a loan or extension of credit as a state-chartered bank and to exercise any other power or authority permissible to a state-chartered bank. The Bank may invest state moneys in any manner that ensures appropriate cash management. The Bank may not make a loan to any board member, the president of the Bank, or any officer of the bank.

Bank Board.

The board consists of 11 voting members and an ex officio member. The Treasurer is a voting member and is the chair of the board. The Director of the DFI is the ex officio member. Ten members are appointed by the Governor. At least three members must be representatives from banks chartered in the state. At least three members must be residents of the state who:

- are not employed by a financial institution;
- do not serve on the board of directors of a financial institution; and
- do not have a substantial ownership interest in any financial institution.

The term of a board member is four years. Three of the original board members must be appointed to serve an initial term of four years, two must be appointed to serve an initial term of three years, two must be appointed to serve an initial term of two years, and the two remaining

members must be appointed to serve a one-year initial term. All subsequent terms are for four years. A board member may be removed for cause by the Governor.

Duties of the Board.

The board must:

- meet regularly with the management of the bank to review the Bank's operations;
- make recommendations to the Treasurer relating to improved management performance, better customer service, and overall improvement in internal methods, procedures, and operating policies of the Bank;
- make recommendations relating to additional objectives for the Bank; and
- make recommendations concerning the appointment of officers of the Bank.

The Treasurer must appoint the president of the Bank. The Treasurer may appoint other officers. The Treasurer may remove the president and any officer for any reason.

The Director may examine the Bank in the same manner as a state-chartered financial institution. The Bank must pay the Director for the costs of an examination.

Treasurer Rule-making Authority.

The Treasurer may adopt any rules necessary to implement this act, including but not limited to rules regarding:

- objectives of the Bank;
- criteria for evaluating a loan;
- individual and aggregate lending limits for one borrower; and
- eligibility for borrowing.

Reports by the Treasurer.

The Treasurer must annually report to the Legislature on the affairs of the Bank. The report may include any recommendations that would improve the affairs of the Bank.

The Bank is added to the list of funds that must be reported on monthly by the Treasurer.

Public Records.

Financial and commercial information and records supplied by businesses or individuals during application for loans or program services provided by the Bank are exempt from disclosure.

Examination reports and information obtained by the DFI from the state bank are confidential and privileged information;

Taxes and Fees.

The Bank is exempt from payment of all fees and all taxes levied by the state or any of its subdivisions.

Effective Contingent on Amending the Constitution.

The act is effective if a constitutional amendment, HCR 4224, is ratified by the voters at the next general election. If HCR 4224 is not ratified, the act is void in its entirety.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed, contingent upon voter ratification in the next general election of HCR 4224. If HCR 4224 is not ratified, the act is void in its entirety.